

March 1, 2000

IN RE: DOCKET NO. 1999-469-C – BELLSOUTH – GUIDELINES FOR ALTERNATIVE REGULATION.

COPY OF **DIRECT TESTIMONY** OF GARY E. WALSH FILED ON BEHALF OF THE COMMISSION STAFF HAS BEEN DISTRIBUTED TO:

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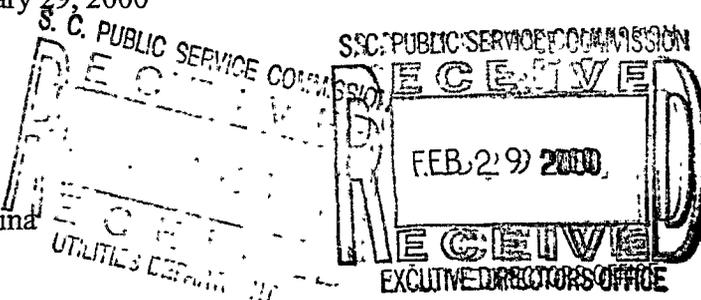
GARY E. WALSH
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The Public Service Commission State of South Carolina

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February 29, 2000

Honorable Gary E. Walsh
Executive Director
Public Service Commission of South Carolina
Post Office Drawer 11649
Columbia, South Carolina 29211



IN RE: DOCKET NO. 1999-469-C - BellSouth Telecommunications, Inc. - Proceeding
to Review Guidelines for an Alternative Form of Regulation

Dear Mr. Walsh:

Pursuant to R.103-869 of the Commission's Rules and Regulations, I am herein enclosing the original and twenty-five (25) copies of the testimony and exhibits intended to be offered by the witness for the Commission Staff in the above referenced proceeding. By copy of this letter, I am serving copies of the testimony and exhibits on the parties of record in this proceeding.

If I may be of further assistance, please do not hesitate to contact me.

Very truly yours,

F. David Butler
General Counsel

FDB:de

Enclosures:

cc: All Parties of Record

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BELLSOUTH TELECOMMUNICATIONS, INC.
*Proceeding to Review Guidelines
for
An Alternative Form of Regulation*

ORIGINAL

Docket No. 1999-469-C

February 29, 2000

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**Testimony of
Gary E. Walsh
Public Service Commission of South Carolina**

RETURN DATE: DIC 06
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1 Q. MR. WALSH, WOULD YOU PLEASE STATE YOUR NAME, BUSINESS
2 ADDRESS AND OCCUPATION?

3 A. Gary Walsh, 101 Executive Center Drive, Columbia, South Carolina. I am
4 employed by the Public Service Commission of South Carolina (Commission) as the
5 Executive Director.

6 Q. WOULD YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND
7 AND YOUR BUSINESS EXPERIENCE?

8 A. I received a B.S. Degree in Business Administration with a major in Banking and
9 Finance from the University of South Carolina in 1972. I was employed by this
10 Commission in July 1972 and held various positions within the Commission until
11 October 1998. In October 1998 I was promoted to my current position as Executive
12 Director.

13 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

14 A. Yes. Since 1974 I have testified in numerous proceedings as a Staff witness
15 concerning all types of regulated utilities before the Public Service Commission of
16 South Carolina.

17 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS MATTER?

18 A. The purpose of my testimony is to respond to BellSouth's proposed pricing
19 guidelines filed on November 12, 1999 in compliance with S.C. Code Ann. §58-9-
20 576(B)(5).

21 Q. WHAT PROMPTED BELL SOUTH TO FILE PROPOSED PRICING
22 GUIDELINES FOR ADOPTION BY THE COMMISSION?

23 A. On July 14, 1999, following the Supreme Court's reversal of the Commission's Order
24 approving BellSouth's Consumer Price Protection Plan, BellSouth noticed the
25 Commission of its election to be regulated in compliance with S. C. Code Ann. §58-
26 9-576. On August 13, 1999, BellSouth notified the Commission that it would file
27 proposed pricing guidelines within ninety (90) days. On September 14, 1999, the
28 Commission voted to require BellSouth to file proposed pricing guidelines by
29 November 12, 1999.

South Carolina Public Service Commission
101 Executive Center Drive, Columbia, SC 29210
Post Office Box 11649, Columbia, SC 29211



1 **Q. DOES S.C. CODE ANN. §58-9-576 MANDATE RATES FOR FLAT-RATED**
2 **LOCAL EXCHANGE SERVICES FOR RESIDENTIAL AND SINGLE -LINE**
3 **BUSINESS CUSTOMERS?**

4 A. Yes. S. C. Code Ann. §58-9-576(B)(3) states that the rates for flat-rated local
5 exchange services for residential and single-line business customers on the date of
6 election shall be the maximum rates that such LEC may charge for these local
7 exchange services for a period of two years from the date the election is filed with
8 the Commission. During such period, the local exchange company may charge less
9 than the authorized maximum rates for these services.

10 **Q. HAS THE COMMISSION TAKEN ANY ACTION WHICH IMPACTS THE**
11 **RATE MANDATE FOR FLAT-RATED LOCAL EXCHANGE SERVICES**
12 **FOR RESIDENTIAL AND SINGLE-LINE BUSINESS CUSTOMERS**
13 **CONTAINED IN S. C. CODE ANN. §58-9-576 (B)(3)?**

14 A. Yes. On June 21, 1999, the Commission issued Order No. 1999-411 in Docket No.
15 95-862-C that approved a settlement agreement between BellSouth and the
16 Consumer Advocate.

17 **Q. WHAT IMPACT DOES THIS SETTLEMENT AGREEMENT HAVE ON**
18 **RATES FOR 1FR AND OTHER NAMED RESIDENTIAL SERVICES AND**
19 **1FB AND OTHER NAMED BUSINESS SERVICES?**

20 A. As provided for in S. C. Code Ann. §58-9-576(B)(3) the Commission approved a \$1
21 per month reduction in rates in effect at the time of election for 1FR and other named
22 residential services and 1FB and other named business services. The \$1 per month
23 reduction was effective January 1, 2000 for a minimum of sixty (60) months.

24 **Q. DOES S. C. CODE ANN. §58-9-76 ADDRESS THE SETTING OF RATES**
25 **FOR SERVICES NOT ADDRESSED IN S. C. CODE ANN. §58-9-576(B)(3)?**

26 A. Yes. S. C. Code Ann. §58-9-576(B)(5) states the LECs shall set rates for all other
27 services on a basis that does not unreasonably discriminate between similarly
28 situated customers; provided however, that all such rates are subject to a complaint
29 process for abuse of market position in accordance with guidelines to be adopted by
30 the Commission.

1 **Q. MR. WALSH, HAVE YOU REVIEWED THE PROPOSED PRICE**
2 **GUIDELINES FILED BY BELL SOUTH ON NOVEMBER 12, 1999?**

3 A. Yes. I have reviewed the proposed price guidelines and the testimony of BellSouth
4 witness Alphonso J. Varner that supports BellSouth's proposed price guidelines.

5 **Q. WOULD YOU SUMMARIZE THE PROPOSED PRICING GUIDELINES**
6 **FILED BY BELL SOUTH?**

7 A. The proposed pricing guidelines filed by BellSouth include Articles which define
8 terms included in the guidelines, and establish guidelines for setting prices and a
9 process for filing complaints related to violations of the guidelines.

10 **Q. MR. WALSH, HAVE YOU REVIEWED ARTICLE III GUIDELINES FOR**
11 **SETTING PRICES CONTAINED IN THE PROPOSED PRICING**
12 **GUIDELINES?**

13 A. Yes. BellSouth has basically restated the statutory requirements reflected in S. C.
14 Code Ann. §58-9-576 for flat-rated local exchange services and all other services. In
15 Article III, paragraph 3, BellSouth has proposed a delay in the establishment of the
16 inflation-based index applicable to flat-rate local exchange residential and single-line
17 business services. I support the proposed delay in establishing the inflation-based
18 index due to the sixty (60) month price cap on these services approved in
19 Commission Order No. 1999-411.

20 **Q. HAS BELL SOUTH PROPOSED GUIDELINES IN ARTICLE III OF THE**
21 **PROPOSED PRICING GUIDELINES WHICH ARE NOT REQUIRED BY**
22 **S. C. CODE ANN. §58-9-576?**

23 A. Yes. In Article III, paragraph 7, BellSouth has included language which asserts that
24 price increases for services other than basic services shall not exceed five percent
25 (5%) of aggregate revenues in a twelve (12) month period. I support BellSouth's
26 voluntary cap on services other than basic service since such a cap is not required by
27 the statute. I would propose that the Commission include language, which requires
28 prices for all services other than basic service to be set at rates that equal or exceed
29 BellSouth's long run incremental cost of providing such services.

1 **Q. MR. WALSH, HAVE YOU REVIEWED ARTICLE IV PROCESS FOR**
2 **COMPLAINTS OF VIOLATIONS OF PRICE SETTING GUIDELINES?**

3 A. Yes. BellSouth has filed a detailed plan for addressing complaints filed under S. C.
4 Code Ann. §58-9-576(B)(5). The plan proposed by BellSouth addresses issues such
5 as the timing of the process, the information to be contained in the complaint,
6 information to be contained in BellSouth's response, and threshold determinations
7 that shall be made by the Commission.

8 **Q. WHAT ARE YOUR VIEWS CONCERNING THE PROCESS FOR**
9 **COMPLAINTS OF VIOLATIONS PROPOSED BY BELL SOUTH IN**
10 **ARTICLE IV OF THE PROPOSED GUIDELINES?**

11 A. I believe the process proposed by BellSouth is duplicative in nature. The Public
12 Service Commission of South Carolina currently has statutory authority as well as
13 rules and regulations in effect which provide a vehicle for the Commission to rule on
14 all types of complaints. Therefore, I would propose that the Commission reject the
15 Process of Complaints of Violations of Price Setting Guidelines as proposed by
16 BellSouth and continue the Commission's existing complaint procedures.

17 **Q. DO YOU HAVE ANY ADDITIONAL PROPOSALS AT THIS TIME?**

18 A. Yes. I propose that at a time in the future the Commission institute a Generic
19 Docket to consider requiring all telecommunications carriers under the
20 Commission's jurisdiction to file annual financial data on an intrastate basis. This
21 data would assist the Commission in evaluating the effectiveness of the various
22 forms of alternative regulation currently in effect.

23 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

24 A. Yes, it does.
25

February 29, 2000

IN RE: DOCKET NO. 1999-469-C - BellSouth Telecommunications, Inc. - Proceeding
to Review Guidelines for an Alternative Form of Regulation

A copy of the Testimony of Gary E. Walsh was mailed by first-class postage to the
attached Parties of Record:

/de

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Firm.....: STAFF ATTORNEY State...: SC Zip...: 29250
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Representing...: CONSUMER ADVOCATE
Name.....: FRANCIS P. MOOD City.....: COLUMBIA
Firm.....: SINKLER & BOYD, P.A. State...: SC Zip...: 29211
Address...: POST OFFICE BOX 11889 Intervenor or Protestant...: I
Representing...: AT&T COMMUNICATIONS OF THE SOUTHERN STAT
Name.....: DARRA W. COTHRAN, ESQUIRE City.....: COLUMBIA
Firm.....: WOODWARD, COTHRAN & HERNDON State...: SC Zip...: 29211
Address...: POST OFFICE BOX 12399 Intervenor or Protestant...: I
Representing...: MCI TELECOMMUNICATIONS/WORLDCOM TECHNOLO
Name.....: TERRANCE A. SPAIN, ESQUIRE City.....: ARLINGTON
Firm.....: REGULATORY LAW OFFICE State...: VA Zip...: 22203
Address...: 901 N. STUART ST., SUITE 700 Intervenor or Protestant...: I
Representing...: THE DEPT. OF DEFENSE/FEDERAL AGENCIES
Name.....: JOHN F. BEACH, ESQUIRE City.....: COLUMBIA
Firm.....: BEACH LAW FIRM, P.A. State...: SC Zip...: 29211
Address...: PO BOX 11547 Intervenor or Protestant...: I
Representing...: SC PUBLIC COMMUNICATIONS ASSOCIATION
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Representing...: TRIVERGENT COMMUNICATIONS
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